





KATHLEEN CONNELL

Controller of the State of California



KATHLEEN CONNELL
Controller of the State of California

July 7, 1997

**To the Citizens, Governor, and Members
of the Legislature of the State of California:**

I am pleased to submit to you the *General Fund Cash Basis Report* for the fiscal year ended June 30, 1997. The General Fund, the State's primary funding source for general government services, ended the 1996-97 fiscal year with a cash deficit of \$1.190 billion, down \$264 million from the deficit at the beginning of the year. Although this marked the eighth consecutive year the State recorded a cash deficit, it is the third consecutive year that the deficit has been reduced.

During the fiscal year, total receipts of \$49.831 billion exceeded total disbursements of \$49.567 billion. Receipts increased by \$3.100 billion, or 6.6%, over the prior year. Disbursements also increased, by \$4.847 billion, or 10.8%. The \$264 million excess of receipts over disbursements during the fiscal year allowed the State to reduce its internal borrowing from \$1.454 billion to \$1.190 billion and close the year with no external borrowing.

The purpose of publishing this report is to make available authoritative information under the cash basis of accounting concerning the financial status of the General Fund as close to the end of the fiscal year as possible. However, this report does not portray a complete picture of the State's operations or financial position. After completion of the audit of the State's finances by the State Auditor, I will issue a *Budgetary/Legal Basis Report* that contains an accounting of all fund activity in compliance with state law, state accounting procedures, and the state budget. In addition, the *Comprehensive Annual Financial Report*, prepared in conformance with generally accepted accounting principles, will also be issued.

Sincerely,

A handwritten signature in black ink, reading "Kathleen Connell".

KATHLEEN CONNELL
State Controller

Statement of Cash Receipts, Disbursements, and Balances

(Amounts in thousands)

	Year Ended June 30,	
	1997	1996
General Fund Beginning Cash Deficit Before Loans, July 1	\$ (1,454,035)	\$ (3,464,306)
Receipts		
Revenues	49,312,911	45,948,697
Nonrevenues	518,306	782,407
Total Receipts	49,831,217	46,731,104
Disbursements		
State Operations	12,417,944	11,974,714
Local Assistance	36,463,269	32,292,603
Capital Outlay	54,401	27,429
Nongovernmental	631,955	426,087
Total Disbursements	49,567,569	44,720,833
Receipts Over Disbursements	263,648	2,010,271
General Fund Ending Cash Deficit Before Loans, June 30	(1,190,387)	(1,454,035)
Loans		
Internal Loans		
Special Fund for Economic Uncertainties	281,170	20,295
Special Funds and Accounts	909,217	1,433,740
Total Loans	1,190,387	1,454,035
General Fund Ending Cash Balance After Loans, June 30	0	0
Special Fund for Economic Uncertainties, June 30	—	—
Total Cash, June 30 (Note 1)	\$ 0	\$ 0

Borrowable Resources (Note 2)

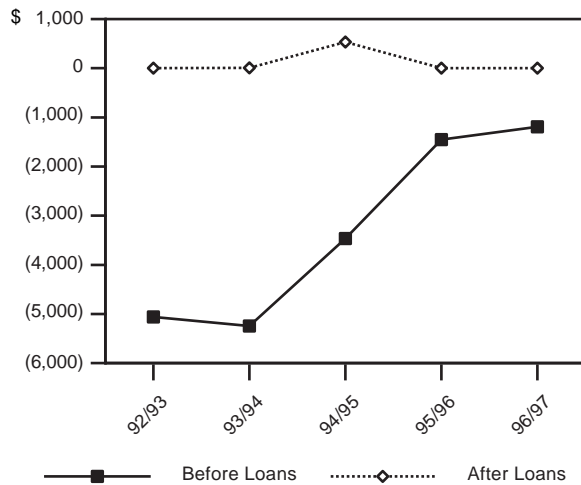
Available Resources

From Special Fund for Economic Uncertainties	\$ 281,170	\$ 20,295
From Special Funds and Accounts	5,961,071	5,190,804
Total Available Resources	6,242,241	5,211,099
Total Loans	(1,190,387)	(1,454,035)
Unused Resources	\$ 5,051,854	\$ 3,757,064

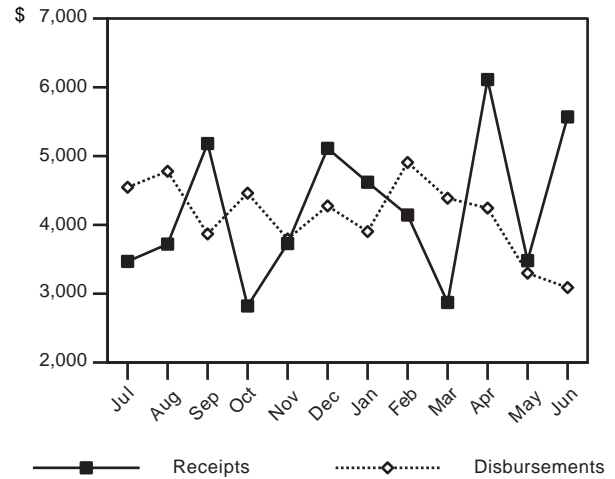
Charts of Cash Receipts, Disbursements, and Balances

(Amounts in millions)

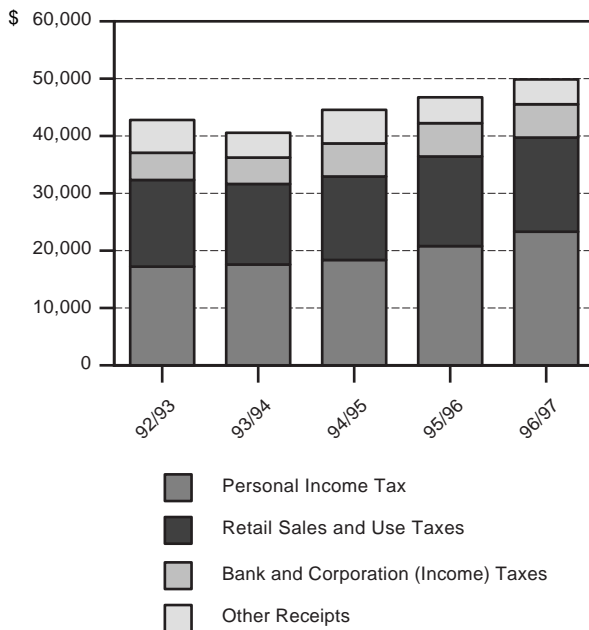
**Ending Cash Balances
Last Five Fiscal Years**



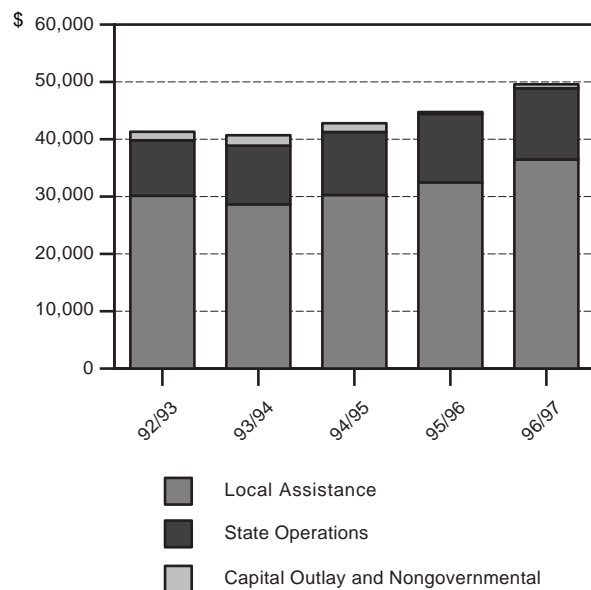
**Monthly Cash Receipts and Disbursements
For the Fiscal Year Ended June 30, 1997**



**Cash Receipts
Last Five Fiscal Years**



**Cash Disbursements
Last Five Fiscal Years**



Schedule of Cash Receipts

(Amounts in thousands)

	Year Ended June 30,	
	1997	1996
RECEIPTS		
REVENUES		
Major Taxes and Licenses		
Personal Income Tax	\$ 23,270,192	\$ 20,757,679
Retail Sales and Use Taxes	16,443,413	15,638,032
Bank and Corporation (Income) Taxes	5,803,648	5,831,036
Insurance Gross Premiums Tax	1,283,973	1,251,443
Estate Tax	754,444	610,967
Cigarette Tax	170,601	168,694
Excise Tax on Beer and Wine	143,705	141,951
Excise Tax on Distilled Spirits	125,908	127,177
Horse Racing (Parimutuel) License Fees	52,765	67,188
Inheritance Tax	2,281	2,104
Gift Tax	52	1,161
Total Major Taxes and Licenses	48,050,982	44,597,432
Minor Revenues		
Trial Court Revenues	313,458	308,052
Pooled Money Investment Income	250,684	309,356
Abandoned Property	190,464	242,617
State Lands Royalties	95,795	77,309
Health Care Deposit Fund Receipts	20,093	15,709
Private Rail Car Tax	6,132	5,314
Liquor License Fees	5,472	8,753
Miscellaneous	379,831	384,155
Total Minor Revenues	1,261,929	1,351,265
Total Revenues	49,312,911	45,948,697
NONREVENUES		
Transfers from Other Funds	185,606	488,431
Transfers from Special Fund for Economic Uncertainties	43,973	17,237
Miscellaneous	288,727	276,739
Total Nonrevenues	518,306	782,407
TOTAL RECEIPTS	\$ 49,831,217	\$ 46,731,104

Schedule of Cash Disbursements

(Amounts in thousands)

	Year Ended June 30,	
	1997	1996
DISBURSEMENTS		
STATE OPERATIONS		
Legislative/Judicial/Executive	\$ 777,077	\$ 711,588
State and Consumer Services	353,791	341,060
Business, Transportation and Housing	7,211	4,589
Trade and Commerce	32,281	28,071
Resources	516,090	425,819
Environmental Protection Agency	61,273	38,104
Health and Welfare:		
Health Services	171,993	150,505
Mental Health Hospitals	269,478	220,963
Other Health and Welfare	215,239	245,767
Youth and Adult Correctional Agency	3,501,922	3,517,931
Education:		
University of California	2,116,746	1,833,857
State University and Colleges	1,776,406	1,599,233
Other Education	127,657	121,914
General Government	619,966	573,246
Public Employees Retirement System (Note 3)	(214,733)	(188,906)
Debt Service (Note 4)	1,927,931	1,914,912
Interest on Loans	157,616	436,061
Total State Operations	12,417,944	11,974,714
LOCAL ASSISTANCE		
Judicial/Executive	523,747	540,057
State and Consumer Services	3,731	3,100
Business, Transportation and Housing	6,176	8,651
Resources	7,009	2,230
Environmental Protection Agency	2,280	2,551
Health and Welfare:		
Department of Health Services	6,791,595	6,650,046
Department of Developmental Services	397,479	419,913
Department of Mental Health	140,285	177,558
Department of Social Services	6,075,061	6,167,950
Other Health and Welfare	206,683	176,068
Total Health and Welfare	13,611,103	13,591,535

(Continued)

Schedule of Cash Disbursements

(Amounts in thousands)

	Year Ended June 30,	
	1997	1996
Youth and Adult Correctional Agency	\$ 73,203	\$ 63,261
Education:		
K-12 Education	18,113,908	14,482,889
Teachers' Retirement System	882,631	848,450
State School Building Aid-Debt Service (Note 4)	2,684	(485)
Community Colleges	1,651,768	1,385,038
Other Education	859,435	800,354
Total Education	21,510,426	17,516,246
Property Tax Relief:		
Senior Citizens Property Tax	15,872	16,443
Senior Citizens Renters Relief	13,123	13,450
Homeowners Property Tax Relief	387,743	388,824
Subventions for Open Space	35,304	33,824
Renters Tax Relief	1,117	2,705
Substandard Housing	370	370
Total Property Tax Relief	453,529	455,616
Miscellaneous	272,065	109,356
Total Local Assistance	36,463,269	32,292,603
CAPITAL OUTLAY		
Total Capital Outlay	54,401	27,429
NONGOVERNMENTAL (Note 5)		
Transfer to Special Fund for Economic Uncertainties	305,000	30,500
Transfer to Other Funds	211,827	330,688
Transfer to Revolving Fund	46,986	(819)
Advance:		
Earthquake Loan Repayment	46,712	15,337
Social Welfare Federal Fund	9,854	10,613
Health Care Deposit Fund	—	(7,500)
State-County Property Tax Administration Program	46,011	47,268
Counties for Social Welfare	(34,435)	—
Total Nongovernmental	631,955	426,087
TOTAL DISBURSEMENTS	\$ 49,567,569	\$ 44,720,833

(Concluded)

Notes to Statements and Schedules

NOTE 1**SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

A. Basis of Presentation

The "General Fund Cash Basis Report" is based on cash reported to and recorded in the records of the State Controller's Office. Amounts reported may differ from amounts in other reports to the extent there are timing differences in the recording of in-transit items between agencies, the State Treasury, and the State Controller's Office. The cash basis of accounting does not reflect accruals.

B. General Fund

The "Statement of Cash Receipts, Disbursements, and Balances" does not include cash of the Special Fund for Economic Uncertainties, if any, in balances of the report except for the balance titled "Total Cash, June 30."

NOTE 2**BORROWABLE RESOURCES**

Government Code sections 16310 and 16418 authorize transfers to the General Fund from other funds in the State Treasury to meet the State's short-term borrowing needs. Chapter 268, Statutes of 1984, authorizes the State to borrow from external sources prior to exhausting internal sources. These external sources include Revenue Anticipation Notes (RANs), Revenue Anticipation Warrants (RAWs), and Registered Warrants.

With respect to external loans, the State issued \$3.0 billion in RANs on August 6, 1996, to meet the normal cash flow needs for the 1996-97 fiscal year. The RANs were repaid on June 30, 1997; therefore, the State ended the 1996-97 fiscal year with no external loans.

NOTE 3**RETIREMENT CONTRIBUTIONS – STATE'S SHARE**

Government Code section 20822 changed the timing of the payment for the State's share of retirement contributions from a quarterly basis to an annual basis, 12 months in arrears. It requires the contributions to be accumulated for a 12-month period and paid at the beginning of the second fiscal year following the fiscal year the contributions were accumulated.

In April 1994, the Public Employees' Retirement System (PERS) filed suit and challenged the legality of the legislation. The California Supreme Court recently affirmed a trial court's 1995 judgement in favor of PERS. The court found the annual payment system resulted in an unconstitutional impairment of contract and ordered the State to return to the quarterly payment system.

Under the previous payment system, contributions in the amount of \$579.0 million for the 1995–96 fiscal year would have been due and payable on July 1, 1997; contributions in the amount of \$640.6 million for the 1996–97 fiscal year that have been deferred would have been due and payable on July 1, 1998. Under the final court order, contributions for both the 1995–96 and 1996–97 fiscal years and related interest are due and payable, and the payment cycle is to return to a quarterly basis. As of the date of this report, negotiations are under way to determine the amounts and terms of payment.

The State's share of the retirement contributions are charged against each agency's appropriation based on that agency's payroll. These retirement contribution expenditures are simultaneously credited to a statewide account pending disbursement to PERS. The negative amount reflected in this report represents the difference between amounts charged to the agencies and the amount transferred to PERS during the fiscal year.

The following schedule demonstrates the amount contributed and the year in which it was contributed, as well as the actual fiscal year that the liability will be recorded.

PERS Expenditure Payment Schedule
(Amounts in Millions)

Accumulated Contribution Period	Fiscal Year To Be Charged	Amount Paid
1993–94	1995–96	\$ 398.6
1994–95	1996–97	425.9
		Amount to be Paid
1995–96	1997–98	\$ 579.0
1996–97	1998–99	640.6

NOTE 4

STATE SCHOOL BUILDING AID – DEBT SERVICE

“State School Building Aid–Debt Service” is not included in the total of “Debt Service” under “State Operations.” It is accounted for as “Local Assistance” under “Education.” The negative “State School Building Aid–Debt Service” amount for the 1995–96 fiscal year is a result of loan repayments from school districts exceeding debt service disbursements.

NOTE 5

NONGOVERNMENTAL

Negative balances are the result of repayments received that are greater than disbursements made during the fiscal year.